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PROGRAMME PLANNING: COUNTRY AND INTERCOUNTRY PROGRAMMES AND PROJECTS

FIFTH COUNTRY PROGRAMME FOR MALAYSIA

Programme period	Resources	$
1992-1996	IPF for fifth cycle	7 091 000
	Government cost-sharing	8 200 000
	Total	15 291 000

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I. DEVELOPMENT SITUATION, OBJECTIVES AND STRATEGIES

A. Current socio-economic situation

1. Malaysia has achieved considerable success in bringing about a more equitable distribution of wealth and income to its citizens in an environment of high growth and general price stability. The rapid pace of the country's economic growth has been almost uninterrupted, starting at 4 per cent per annum in the early years following independence in 1957, and reaching 10 per cent in 1990. Per capita income rose from a mere 775 Malaysian dollars (M$) in 1957 to M$6,180 in 1990, despite a population growth rate of about 2.6 per cent per annum.

2. The country's first three five-year plans focused on improving agricultural productivity and rural development. Thereafter, a more comprehensive development strategy was adopted under a New Economic Policy, covering 1971-1990, which placed greater attention on the eradication of poverty and a restructuring of Malaysian society to ensure the formation of a united, socially just, economically equitable and progressive society. Under this policy, the 1970s saw a high-paced industrialization drive and a structural transformation to an export-oriented economy. In the second decade, the policy further encouraged the diversification of the economy into more advanced industries, the establishment of greater forward and backward linkages, and an improved stability in export earnings due to a broader mix of export items.

3. A major characteristic of the successive five-year plans, which gained particular importance in the current sixth Malaysia plan 1991-1995, is the recognition of the significant role that private investment and free enterprise play in stimulating economic growth and attaining socio-economic advancement. But, in a wider context, it is the prevalence of political stability, sound macroeconomic policies, price stability, liberal exchange controls, good infrastructure and availability of labour and basic materials which provided the impetus for the almost exponential rise in the private sector investment, a sizable portion (30.5 per cent in 1990, amounting to at least M$8 billion) of which has come from abroad.

4. A significant economic transformation accompanied progress on the social front: critical poverty has been virtually eliminated; educational attainment differences across ethnic groups have sharply dropped; large numbers of self-employed and unpaid family workers have entered the wage-pool; disparity in wages across sectors has distinctly diminished; identification of certain sub-sectors and jobs with ethnic groupings has essentially vanished; and the position of women has profoundly improved, such as in gaining greater access to employment opportunities, particularly in the expanding manufacturing sector.

5. Malaysia has entered the 1990s with positive economic and social trends in sustaining rapid growth, increasing per capita incomes, raising living standards and improving equity and employment prospects. However, a major challenge remains - to promote greater industrial depth by expanding the role and contribution of small and medium-scale enterprises to the manufacturing of intermediate and less-sophisticated capital goods in order to reduce the import bill. Moreover, greater efforts will have to be devoted to increasing domestic research and development, to assimilating and adapting new technologies and to developing indigenous technology. Given that the future of Malaysian industry lies in the development of higher value-added products and services, the need to move into high-technology areas is compelling.

B. National development objectives and strategies

6. With the successful completion of the new economic policy, the second outline perspective plan (1991-2000), embodying the new National Development Policy, has been formulated to set the course for future growth. The new policy envisages Malaysia to reach the status of a developed nation by the year 2020. Correspondingly, the objective of the new policy is to "attain a balanced development of the economy in order to establish a more united and just nation". In addition to the continuing focus on eradicating poverty and restructuring society, the thrusts of the policy are to cover the following critical aspects: (a) striking a balance between economic growth and equity; (b) ensuring a balanced development of the major sectors of the economy; (c) reducing social and economic inequalities and imbalances, in general, as well as between States and between urban and rural areas; (d) developing a progressive society in terms of material and non-material welfare and values; (e) promoting human resource development; (f) making science and technology an integral component of socio-economic planning and development; and (g) ensuring long-term sustainability through adequate attention to ecological and environmental protection.

7. Based on the above aims of the National Development Policy, the Government's medium-term development strategy, reflected in the sixth Malaysia plan, consists of: (a) the mobilization, modernization and diversification of the rural sector via agricultural transformation and creation of linkages with the industrial sector; (b) widening of the industrial base through export-led industrialization with small and medium-scale enterprises playing key roles, and priority given to export diversification, quality enhancement and the promotion of resource-based industries; (c) development of science and technology to boost domestic technological capabilities in all sectors of the economy; (d) increasing the private sector's contribution to rapid economic growth through continued deregulation, liberalization and privatization; and (e) attracting foreign investment with a view to obtaining net benefits to the domestic economy, including technology transfer and reinvestment of profits, as well as increasing domestic savings and their effective mobilization into the productive sectors of the economy.

II. EXTERNAL COOPERATION

A. Role of external cooperation

8. During the period 1986-1990, the value of technical cooperation activities in Malaysia amounted to M$531 million. Development partners included, the World Bank, Japan, the United Kingdom, the United Nations Development Programme (UNDP), Sweden, the United States, Canada and Australia. The major fields assisted were human resources development, regional development, energy, and industry.

9. The sixth Malaysia plan has identified human resources development as the priority area for external technical cooperation. This is in view of the country's need to acquire technical expertise to meet the shortage of skills in numerous specialized functions, as well as to enhance the Government's institutional capabilities through training and transfer of technology.

B. Aid coordination arrangements

10. The Economic Planning Unit (EPU) of the Prime Minister's Department is the central mechanism for the coordination of external cooperation with Malaysia. All multilateral and bilateral capital and technical cooperation requests are channelled through this unit, which assumes overall coordination role for the United Nations system in close collaboration with the UNDP field office. Thanks to its increased sophistication and broadened scope of responsibilities, the unit envisages the computerization, with UNDP assistance, of its aid coordination activities.

11. The fifth country programme is formulated to be the central frame of reference for technical cooperation of the United Nations system. It covers three broad areas of concentration which provide ample scope for any additional funding to supplement the available resources. Already, opportunities exist for active interaction with the fifth intercountry programme for Asia and the Pacific, especially within the context of the subregional programme for the Association of South-East Asian Nations (ASEAN) countries. Two areas of priority under the intercountry programme correspond directly with Malaysia's fifth programme priorities: "Human Skills for the 1990s"; and "Management of Environment in the 1990s". As regards the ASEAN subregional programme, the envisaged facility for human resources development and the proposed mechanism for "Support to Intra-ASEAN Development Cooperation" are of particular relevance.

III. THE COUNTRY PROGRAMME

A. Assessment of fourth country programme

12. The fourth country programme (1987-1991) was prepared in an economic environment much different from that which prevailed following its approval. Three themes were adopted: strengthening the planning and implementation

capabilities of the Government; human resources development; and development of science and technology. As a result of the strong growth of the Malaysian economy since 1987 and fast-changing socio-economic developments, a significant portion of the programme's initial project portfolio subsequently lost priority. Although the three themes of the programme continued to be broadly relevant, the identification of new projects slowed down programme delivery. Consequently, about 20 per cent of programme resources will be carried over into the fifth cycle.

13. The Government valued the programme's neutral, catalytic and flexible approach and mode of operation. It continued to supplement the resources of the indicative planning figure (IPF) with programme cost-sharing, despite delivery rates lower than originally envisaged. It has been recognized that the fourth country programme was less focused than desirable and that fragmentation of resources within sectors affected the programme's overall impact and sustainability. Also, the fourth country programme did not lead to substantial linkages with the programmes of other United Nations agencies.

14. Although the use of national project directors for overall project management grew, the employment of long-term experts declined in favour of short-term specialists and the recruitment of national consultants increased significantly, the fourth programme made little use of national execution and other newly emerging operational arrangements. The mid-term review of the programme noted with concern, however, the deficiencies in the performance of some United Nations executing agencies.

15. Both the Government and UNDP have given serious attention to addressing the above problems and coming up with corrective actions in order to improve programme content and implementation. The Government is satisfied that a large number of key staff has been trained within the context of the first programme theme on "strengthening planning and implementation capabilities of the Government". In addition, preparations for the sixth plan were facilitated by policy-related projects undertaken in the fields of industrial sector planning, mineral development strategy, environmental management survey, energy planning, and human resources development. Finally, a number of projects were able to lay the groundwork successfully for significant national execution expected in the new programme.

B. Proposed new country programme

1. Preparatory process

16. The identification of Malaysia's technical cooperation needs and the determination of the fifth country programme themes and areas of concentration were based primarily on the priorities of the second outline perspective plan and the sixth Malaysia plan. A number of sectoral and thematic studies carried out during the fourth programme also yielded valuable inputs. The mid-term review of the fourth country programme, gave a number of lessons from past experiences. Moreover, the policy guidelines emanating from Governing

Council decision 90/34 on the fifth programming cycle provided the overall frame of reference in programme formulation. The final shape of the programme was developed through in-depth joint discussions and consultations between the Government and UNDP.

2. Strategy for UNDP's cooperation

17. With a view to deriving maximum impact from the modest resources of the fifth programme, three areas have been chosen where UNDP assistance will be concentrated: human skills for the 1990s; technology for the 1990s; and management of the environment for the 1990s. Representing interrelated and mutually impacting development concerns, UNDP technical cooperation will be cross-sectoral. Depending on the requirements in each of the three areas of concentration, UNDP assistance will be oriented towards enhancing national capacity in: (a) policy analysis and implementation; (b) programme development and implementation; (c) design and organization of training programmes; (d) research and developmental activities; and (e) specialized skills and advanced technology.

18. The above strategy will be pursued through well-targeted consultancy missions and training programmes and without the provision of equipment since the Government will continue to provide this component as in-kind contribution. The choice of these modes of technical cooperation is based on UNDP's comparative advantages, namely, neutrality, access to a wide spectrum of know-how and expertise, and facilitation of enduring links with global standard-setting organizations of the United Nations system, as well as UNDP's world-wide role as the major multilateral technical cooperation institution.

19. The fifth programme will follow the programme approach primarily through the provision of catalytic assistance. Because of the nature of the three areas of concentration chosen, UNDP resources will be employed to effect transfer of technology, especially of the environmentally sustainable type, and in policy formulation by enhancing the capacities of a number of national institutions. The programme will also be used as a means to encourage aid coordination and the pooling of further resources through project cost-sharing and third-party cost-sharing, as well as parallel financing of activities with bilateral and multilateral capital assistance organizations. In addition, UNDP central resources which may be available, such as the Management Development Programme (MDP), Special Programme Resources, the United Nations Development Fund for Women (UNIFEM), the UNDP and non-governmental organizations (NGOs) Partners in Development programme, and the Global Environment Facility, as well as those from other United Nations agencies, will be tapped as appropriate.

3. Areas of concentration

20. The fifth country programme will address the following critical areas: (a) human skills for the 1990s - to elevate manpower skills and capabilities, reduce disparities and enhance human development; (b) technology for the 1990s - to facilitate the process of modernization and make the economy more robust and competitive; and (c) management of the environment in the 1990s - to ensure long-lasting and self-sustaining growth. By design, these areas complement each other in the following way: technology will figure prominently in the development of human skills; environmental management will impact on the other two areas in the form of sustainable resource considerations and environmentally sound technology choices; and various aspects of human skills development will permeate all of the programme.

Human skills for the 1990s

21. It is of great concern to the Government that the quality of the country's human resources may not be adequate to meet the more complex challenges in the next phase of industrialization which requires a technically skilled labour force and sophisticated policy management. Accordingly, the sixth Malaysia plan stressed the importance of human resources development as a principal strategy in addressing sectoral development needs. Three broad initiatives are envisaged: formal education; training of the upcoming workforce by the Government and the private sector; and the retraining of existing labour.

22. Education has played an important role in Malaysia's development by improving the quality of its labour force. However, the educational strategy is under review to ascertain its continued relevance and consistency with the expanding and enduring needs of the economy, the adequacy of the curriculum in ensuring academic skills while providing sufficient flexibility that is critical in the actual workplace, and the need to strengthen linkages between manpower development planning and industrial development. Given that the educational system is responsible for the achievement of manifold objectives, ranging from the economic and social to the cultural and ethical, a fine sense of balance is required; at the same time, the capacity must be developed to supply the skills needed by key industries identified.

23. Apart from the needed additional infrastructure, much attention will be placed in the 1990s on tertiary education. Universities must also strive to become centres of excellence in academic and research work. There is also a need for technical colleges and polytechnics to supply the economy with "semi-professionals". Another area to be looked into is the current practice of sending large numbers of students abroad which, though quite unavoidable in the short term, should be made more selective and replaced in time by local institutions. This could be accomplished through selective enhancement of Malaysian universities and the improvement of staff capabilities and facilities. Appropriate policies are needed for a reward and incentive system that would channel talents toward the skills required by the economy and the society.

24. Private sector participation in manpower development policy formulation will become increasingly crucial given its expanding role in the economy. Hence, there should be broader and closer interaction between private sector representatives and education sector policy makers in order to cultivate a better understanding between planners and users, to determine the minimum standards of vocational and technical skills required by industry, to reorient curricula and to encourage the strengthening and formation of sectoral professional associations. Parallel to improvements in formal education, much is required, especially of the private sector, to retrain the existing work force in order to upgrade current skill levels and to impart advanced skills needed by a technology intensive industrial environment.

25. The Government will utilize UNDP resources to strengthen national technical capacities in the following programmes.

Human resources development policies for the 1990s

26. A series of integrated interventions is envisaged to develop analytical skills in policy formulation and assessment with regard to: (a) making the public sector more responsive to the needs of the private sector for efficient services; carefully turning the civil servant's attitude towards the "Malaysia Inc." philosophy; developing corporate and managerial skills in the areas of strategic planning, leadership, negotiation techniques and crisis management; (b) designing a more effective feedback mechanism and labour market monitoring system to enable training institutions to react continuously and to adjust to changes in the types of occupations and critical skills required by the economy and society; (c) formulating more market-oriented skills training in vocational institutions, devising and undertaking new forms of training in which private firms collaborate to upgrade skill levels, as well as to develop and finance skills development - such as the envisaged human resource development fund; (d) responding to the educational and skill needs of groups not well-served by the existing formal system, such as the rural poor, out-of-school unemployed youth, less educated girls and women, and the disabled; and (e) delivering non-formal education and training programmes to the people through the mass media, especially radio and television.

Implementation of human skills interventions

27. UNDP technical cooperation will be oriented towards a closely interlinked group of activities in the application of development initiatives regarding human skills that are already devised or which would be implemented during the fifth programme period as follows: (a) establishment of training institutions for semi-professionals in specific industries such as wood-based, textiles and construction; (b) establishment of training institutions in advanced skill areas such as production engineering, industrial electronics and biotechnology; (c) training in existing public and private organizations to enhance productivity and to deliver more efficient services in all sectors of the economy, but particularly in the more critical infrastructure areas such as energy, water resources, transport and communications; (d) entrepreneurship training under joint public/private sector management, especially tailored for

small and medium-scale enterprises; and (e) development of institutional capacity for an effective labour market monitoring system.

Technology for the 1990s

28. Despite the booming manufacturing output, domestic industries are generally constrained by a relatively less developed technology base, low level of technological application and inadequate appreciation of the importance of technology in industrial development. These deficiencies have also been noted in the sixth Malaysia plan, the Industrial Master Plan (1986-1995) and the National Action Plan for Industrial Technology Development. The Government is well aware of the critical choices which have to be made in the management of technological change, in the most efficient way, within existing resources.

29. As with many developing countries, the Malaysian private sector lacks the resources to undertake significant research and development. Given the risks involved in such ventures and the inadequate mechanisms to cover risks borne by innovators, the Government's support is essential in the provision of infrastructural facilities, technical extension services, promotional and incentives packages, encouragement of public/private sector linkages, and the establishment of a legal framework.

30. The Government wishes to create an environment conducive to increasing the private sector role in research and development from the present 10 per cent level to 60 per cent by the year 2000. Pursuing a policy of limited State intervention, this requires effective assessment and upgrading of policy-making capabilities of relevant Government agencies, as well as the strengthening of organizational structures and linkages in funds management and effective research and development delivery mechanisms.

31. Harnessing UNDP's wide access to a broad spectrum of expertise, including that of the United Nations system, and its long experience with technology transfer, the Government will utilize the resources of the fifth programme to support the following.

Commercialization of research and technology

32. There will be a package of interlinked interventions to encourage increased participation by the private sector in technology acquisition, adaptation and usage. Among the areas to be covered, in varying extents, are the following: (a) the establishment of an appropriate framework for assimilation, adaptation, funding and dissemination of promising technologies, through the creation of an intermediary agency, or technology parks, or a comprehensive system of contract research; (b) the management of intellectual property rights through the establishment of a stronger infrastructure for a range of advisory and consultancy services, including legal issues, patent search and translations; (c) the creation of a national science and technology intelligence and information system to facilitate the rapid and effective dissemination of information on science and technology, and to assist in the

coordination and monitoring of research and development activities, as well as to give feedback to the policy makers; and (d) the establishment of a national product design centre, and also quality enhancement centres, to provide consultancy and support services in product design, prototyping and product development for the benefit of small and medium-scale enterprises. These centres will be gradually turned over completely to the private sector.

Development of key technologies

33. A number of interventions will be carried out to establish domestic capacity in a number of key technologies which have been designated by the Government to yield the highest economic pay-offs. Taking into account environmentally sound alternative paths, the programme will cover the following: (a) information technology, subsuming micro-electronics, computer hardware/software and telecommunications - the Government has decided to establish a national information board for the formulation, implementation, coordination and management of activities in this field; (b) advanced materials, including plastics, ceramics, metals and composites, where Malaysia has resource advantages; and (c) electronics, with emphasis on the creative aspects of design and development of microelectronics and digital technology.

Management of environment in the 1990s

34. As a result of the population increase, rapid economic growth and fast urbanization, the environment dimension has become more integrated into the Government's decision-making processes. Apart from the introduction of legislation and control measures, environmental management, being cross-sectoral in nature, necessitates close cooperation among the States, within the various departments of the Federal Government and between the public and private sectors.

35. There is also an acute need to manage the environment effectively so as to sustain utilization of Malaysia's extensive forest resources and to reduce the adverse effects of intensive agriculture and rapid industrialization.

36. UNDP is expected to muster the considerable experience of the United Nations system, as well as the world-wide expertise available, to cooperate with the Malaysian public and private sector entities in the development of a comprehensive approach to environmental management. In addition to the attention given to environmentally sound technology under the fourth country programme, UNDP cooperation in this area will cover the following.

Sustainable resource development

37. A series of proactive interventions will be undertaken, grouped around the following: (a) creation of a national council for environment, which will be charged with overall coordination of environment activities, consideration of strategies and programmes which have implications on the environment, and provision of advice on policies leading to a more holistic approach to environment management; (b) review of current environmental protection laws,

regulations, rules, standards and guidelines to improve effectiveness and to expand coverage; (c) assistance in the design of a national conservation strategy on forestry to sustain development and prevent further loss of bio-diversity; and (d) formulation of measures for the storage, treatment and disposal of industrial wastes which are likely to increase in quantity, as well as in toxicity.

C. Assistance outside main country programme areas

38. About 10 per cent of the total resources is left unprogrammed to allow flexible responses to evolving technical cooperation needs during the programme period. Allocations already made to ongoing projects, which do not correspond with the fifth country programme areas, will also be covered under that provision.

D. Implementation and management arrangements

39. Execution responsibility for the fifth programme will rest primarily on national entities. Through its field office, UNDP will assist the Government, to the maximum extent, in facilitating national execution. Jointly with the Economic Planning Unit, the execution and implementation capabilities of proposed national agents will be appraised with a view to devising support mechanisms, such as the setting-up of a programme execution unit, using accumulated add-on funds.

40. The use of national consultants, institutions, vendors and subcontractors will be given high priority. At the same time, full consideration will be given to utilizing the expertise of United Nations specialized agencies in all phases of the programme and project cycles. Innovative programme management modalities will be sought to enhance programme quality, impact and delivery. Finally, in furthering technical cooperation among developing countries, the fifth country programme will take a more active role in supporting the Malaysian Technical Cooperation Programme, which provides technical cooperation to other developing countries in the form of training, practical attachment, expert services and supplies and equipment for socio-economic projects.

Annex I

Financial summary

I. ESTIMATED RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

	(Dollars)	
Carry-over from fourth cycle IPF	-	
Fifth cycle IPF	7 091 000	
Subtotal IPF		7 091 000
Programme cost-sharing (Government: carry-over from fourth cycle)	4 200 000	
Project cost-sharing (third party)	-	
Project cost-sharing (Government: new)	4 000 000	
Subtotal cost-sharing		8 200 000
TOTAL		15 291 000

II. ALLOCATION OF RESOURCES BY AREA OF CONCENTRATION

Area of concentration	IPF	Cost-sharing	Total	Percentage of total resources
Human skills	2 836 400	3 280 000	6 116 400	40
Technology	2 836 400	3 280 000	6 116 400	40
Environment	709 100	820 000	1 529 100	10
Subtotal	6 381 900	7 380 000	13 761 900	90
Unprogrammed reserve	709 100	820 000	1 529 100	10
TOTAL	7 091 000	8 200 000	15 291 000	100

III. ESTIMATED COMPLEMENTARY ASSISTANCE FROM OTHER SOURCES

	(Dollars)	
A. UNDP-administered funds		
SPR	75 000	
UNCDF		
UNSO		
UNIFEM	50 000	
UNRFNRE		
UNFSTD		
Subtotal		125 000
B. Other United Nations resources		
JCGP participating agencies		
UNFPA		1 490 000
UNICEF		3 750 000
WFP		
IFAD		
Other United Nations agencies (non-UNDP financed)	75 000	
Global Environment Facility	-	
Subtotal		5 315 000
Total non-core and other United Nations resources		5 440 000
C. Non-United Nations resources		
TOTAL		5 440 000

Annex II

PROGRAMME MATRIX

Area of concentration	Area of focus*: Poverty eradication and grass-roots participation	Environment and natural resource management	Management development	TCDC	Transfer and adaptation of technology	WID
1. Human skills for the 1990s						
Human resources development policies for 1990s	*	*	*	*	*	*
Implementation of human skills interventions	*	*	*	*	*	*
2. Technology for the 1990s						
Commercialization of research and technology	*	*	*	*	*	*
Development of key technologies		*	*	*	*	
3. Management of environment in the 1990s						
Sustainable resource development	*	*	*	*	*	*

Note: Asterisks indicate major linkage only.